Roll No. ☐☐☐☐☐☐☐☐

**Q.P. Code 66/1/1**

# BUSINESS STUDIES

CBSE Class XII Board Examination 2026 — with answers

**Time allowed: 3 hours** **Maximum Marks: 80**

**General Instructions:**

1. The paper has 34 questions; all of them must be answered.
2. The marks for each question are shown against it.
3. Keep answers brief and to the point.
4. 3-mark answers: about 50–75 words; 4-mark answers: about 150 words; 6-mark answers: about 200 words.
5. Answer all parts of a question together.

## Questions 1–34

*Q1–20 carry 1 mark each (MCQ / Assertion-Reason); Q21–24 carry 3 marks each; Q25–30 carry 4 marks each; Q31–34 carry 6 marks each. Internal choice in Q23, 24, 26, 27, 32 and 34.*

**1.** Ritika wants a new washing machine. At the store 'Elec Duniya' she sees several brands (KM, Neo, Unipool, INH); the salesperson explains differences in quality, brand reputation and price and lets her compare fully automatic, semi-automatic, top-load and front-load models at her own pace. She also visits a nearby shop to compare, and finally buys a 'Neo' front-load machine that gives the best features within her budget. Which consumer right did Ritika exercise? **1**

**(A)** Right to be heard

**(B) Right to be assured**

**(C)** Right to consumer education

**(D)** Right to seek redressal

**ANSWER**

(B) Right to be assured (right to choose)

Concept: Under the Consumer Protection Act, 2019 a consumer has the right to be assured, wherever possible, of access to a variety of goods at competitive prices - commonly called the right to choose.
Case clue: Ritika saw many brands and models, compared prices and features in two shops and freely picked the one she liked.
Why not the others: right to be heard = a forum to put a complaint; consumer education = being made aware of rights; redressal = getting relief for a grievance. None of these happened here.

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**2.** Workers at Alpha Manufacturing made metal parts by guesswork and personal experience, and productivity fell. A scientific-management consultant studied the old methods through work-study, combined the best practices into one standard method for everyone, and productivity tripled in six months. Which principle of scientific management helped? **1**

**(A) Science, not Rule of Thumb**

**(B)** Harmony, Not Discord

**(C)** Cooperation, Not Individualism

**(D)** Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

**ANSWER**

(A) Science, not Rule of Thumb

Taylor's principle 'Science, not Rule of Thumb' says there is one best way of doing a job, found by study and analysis, and it must replace guesswork (rule of thumb) throughout the organisation.
Case clue: guesswork replaced by a standard method developed through work-study and unifying the best practices.
The other options concern worker-management relations (harmony, cooperation) and training/selection (development of each person).

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**3.** Consider: **1**

Statement I: Consumers should unite and form consumer associations to protect and promote their interests.

Statement II: The Consumer Protection Act sets up a two-tier machinery for redressal of consumer grievances.

Choose the correct option.

**(A)** Both the statements are true.

**(B)** Both the statements are false.

**(C) Statement I is true, Statement II is false.**

**(D)** Statement I is false, Statement II is true.

**ANSWER**

(C) Statement I is true, Statement II is false

Statement I is correct - forming consumer associations is one of the ways of consumer protection (consumer awareness/organisation).

Statement II is wrong - the Consumer Protection Act, 2019 provides a THREE-tier machinery: District Commission, State Commission and National Commission.

Common mistake: remembering it as two-tier.

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**4.** A picture shows a man shouting at another person through a megaphone; the listener is covering his ears, a thought-bubble above him is full of jumbled symbols (!, *, %, x), and zig-zag disturbance lines surround them. Which element of the communication process does the picture show? **1**

**(A)** Feedback

**(B)** Media

**(C) Noise**

**(D)** Decoding

**ANSWER**

(C) Noise

Noise is any obstruction or hindrance that disturbs the message between sender and receiver (e.g. loud sound, poor connection, distraction).

In the picture the message reaches the receiver only as jumbled symbols and he blocks his ears - the message is being distorted, i.e. noise.

Feedback = receiver's response; media = channel; decoding = converting symbols back into meaning.

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**5.** Assertion (A): Many enlightened business firms have set up their own consumer service and grievance cells. **1**

Reason (R): A consumer has the right to file a complaint and be heard when dissatisfied with a good or service.

**(A)** Both Assertion (A) and Reason (R) are false.

**(B)** Assertion (A) is false and Reason (R) is true.

**(C)** Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

**(D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).**

**ANSWER**

(D) Both true; R correctly explains A

R is the 'right to be heard': a consumer can file a complaint and be heard if dissatisfied.
A is true: to honour this right, many enlightened firms run their own consumer service and grievance cells.
Since the cells exist to give effect to the right to be heard, R explains A.

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**6.** Sudha bought 'NATURO' hair colour. After reading the shade, ingredients, instructions and expiry date printed on the box, she took out the colour tube and developer bottle and threw the box away. The box was which level of packaging? **1**

**(A)** Primary packaging

**(B)** Transportation packaging

**(C) Secondary packaging**

**(D)** General packaging

**ANSWER**

(C) Secondary packaging

Levels of packaging:
Primary - the product's immediate container (here the tube and the developer bottle), kept till the product is used up.
Secondary - extra layer of protection over the primary pack, usually thrown away when the product is about to be used (the box).
Transportation - packaging for storage/transport (e.g. corrugated cartons).
So the box Sudha discarded is secondary packaging.

**7.** Assertion (A): Money market instruments are more liquid than capital market securities. **1**
Reason (R): Money market instruments are traded on stock exchanges.

**(A)** Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

**(B)** Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

**(C) Assertion (A) is true and Reason (R) is false.**

**(D)** Assertion (A) is false and Reason (R) is true.

**ANSWER**
(C) A is true, R is false

A is true: money market instruments (T-bills, commercial paper, call money, certificates of deposit) are short-term (up to one year) and can be converted into cash quickly, so liquidity is high.
R is false: money market instruments are not traded on stock exchanges; they are dealt in over the counter through banks, financial institutions and the RBI/DFHI. Stock exchanges deal in capital market securities like shares and debentures.

**8.** Ravi bought hallmarked gold jewellery from a reputed store. To avoid paying GST, he asked the salesperson to just write the gold weight and making charges on a plain slip of paper. Which consumer responsibility did Ravi fail to fulfil? **1**

**(A)** Be aware of the various goods and services in the market so that a wise choice can be made.

**(B) Ask for a cash memo on purchase of goods and services.**

**(C)** Buy only standardised goods as they assure quality.

**(D)** Assert yourself to ensure a fair deal.

**ANSWER**
(B) Ask for a cash memo

A consumer should always take a proper cash memo/bill; it is the proof of purchase needed to file a complaint later.
Ravi took a plain slip instead of a bill to avoid GST, so he did not fulfil this responsibility.
He did buy a standardised (hallmarked) product, so option (C) was fulfilled.

**9.** 'CARO Tech Solutions' had to develop a software system in six months with a budget of ₹12,00,000. The team finished on time, but only by outsourcing part of the work, which cost an extra ₹2,00,000. The team is: **1**

**(A)** Efficient and Effective

**(B)** Efficient but not effective

**(C) Effective but not efficient**

**(D)** Neither efficient nor effective

**ANSWER**

(C) Effective but not efficient

Effectiveness = completing the right task / achieving the goal on time. The software was completed within six months - effective.
Efficiency = doing the task at minimum cost (optimum use of resources). The team spent ₹2,00,000 more than the budget (₹14,00,000 against ₹12,00,000) - not efficient.

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**10.** 'Green India Electronics' had to launch an eco-friendly heater quickly because winter lasts only 2-3 months. The CEO wanted close coordination among all managers: top managers coordinated with their subordinates on policies, the production manager coordinated with operational managers, and operational managers coordinated the workers. The heaters were launched on time. Which feature of coordination is seen? **1**

**(A)** Co-ordination is a deliberate function.

**(B) Co-ordination is the responsibility of all managers.**

**(C)** Co-ordination is a continuous process.

**(D)** Co-ordination ensures unity of action.

**ANSWER**

(B) Co-ordination is the responsibility of all managers

Coordination is needed at every level: top managers coordinate with subordinates to see that policies are followed, middle managers coordinate with top and lower levels, and operational managers coordinate the workers.
The case shows each level (top, middle/production manager, operational) doing coordination - so it is the responsibility of all managers.

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**11.** 'The business environment keeps changing - through technological improvements, shifts in consumer preferences or the entry of new competitors.' Which feature of business environment does this show? **1**

**(A)** Totality of external forces
**(B)** Complexity
**(C) Dynamic nature**
**(D)** Relativity

**ANSWER**
(C) Dynamic nature

Dynamic nature means the business environment is not static; it keeps changing (technology, consumer tastes, competition).
Complexity = many interrelated forces hard to understand; relativity = differs from place to place; totality = sum of all external forces.

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**12.** The situation in which a company cannot meet its fixed financial charges such as interest, preference dividend and repayment obligations is called _____. **1**

**(A)** Trading on equity
**(B) Financial risk**
**(C)** Business risk
**(D)** Operating risk

**ANSWER**
(B) Financial risk

Financial risk is the chance that a firm may be unable to meet its fixed financial charges (interest, preference dividend, repayment of loans). It rises as the share of debt in the capital structure rises.
Trading on equity = using fixed-cost funds to raise return to equity shareholders; business/operating risk relates to operations, not financing.

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**13.** Which statement about the importance of planning is INCORRECT? **1**

**(A)** Planning provides directions by stating in advance how work is to be done.
**(B) Planning eliminates uncertainty by looking ahead and anticipating changes.**
**(C)** Planning facilitates decision making by choosing among alternative courses of action.
**(D)** Planning promotes innovative ideas as new ideas can take the shape of concrete plans.

**ANSWER**
(B) - planning only REDUCES the risk of uncertainty; it cannot eliminate it

Planning reduces the risks of uncertainty by anticipating changes and preparing for them, but the future can never be fully predicted, so uncertainty cannot be eliminated.
Options (A), (C) and (D) are correct points of importance (provides direction, facilitates decision making, promotes innovative ideas).

**14.** Organising initiates the implementation of plans by clarifying jobs and working relationships and deploying resources. Choose the correct order of steps in the process of organising. **1**

**(A)** Identification and division of work, Assignment of duties, Departmentalisation, Establishing authority and reporting relationships

**(B)** Identification and division of work, Assignment of duties, Establishing authority and reporting relationships, Departmentalisation

**(C)** Departmentalisation, Identification and division of work, Establishing authority and reporting relationships, Assignment of duties

**(D) Identification and division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationships**

**ANSWER**

(D) Identification & division of work → Departmentalisation → Assignment of duties → Establishing reporting relationships

Steps of organising:

1. Identification and division of work into manageable jobs.
2. Departmentalisation - grouping similar jobs into departments.
3. Assignment of duties - giving jobs to suitable people.
4. Establishing authority and reporting relationships - who reports to whom.

Tip: jobs are grouped (departments) before people are assigned to them.

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**15.** Which feature of planning says that planning aims to meet future events effectively, to the best advantage of the organisation? **1**

**(A)** Planning involves decision making

**(B) Planning is futuristic**

**(C)** Planning is a mental exercise

**(D)** Planning focuses on achieving objectives

**ANSWER**

(B) Planning is futuristic

Planning is forward-looking: it looks into the future, analyses and predicts it so that the organisation can face future events effectively. This is the 'planning is futuristic' feature (forecasting is the base of planning).

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**16.** Match Fayol's principles (Column I) with their meanings (Column II). **1**

Column I: (a) Discipline, (b) Unity of direction, (c) Order, (d) Unity of command

Column II: (i) Only one boss for every employee. (ii) A place for everything/everyone, and everything/everyone in its place. (iii) Obedience to organisational rules and the employment agreement. (iv) Each group of activities with the same objective must have one head and one plan.

Codes in the order a, b, c, d:

**(A)** (iii) (iv) (i) (ii)

**(B)** (iv) (iii) (ii) (i)

**(C)** (iv) (iii) (i) (ii)

**(D) (iii) (iv) (ii) (i)**

**ANSWER**

(D) a-(iii), b-(iv), c-(ii), d-(i)

Discipline - obedience to rules and employment agreement → (iii).
Unity of direction - one head, one plan for activities with the same objective → (iv).
Order - a place for everything and everything in its place → (ii).
Unity of command - one boss for each employee → (i).
Common mistake: mixing up unity of command (one boss) and unity of direction (one plan).

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**17.** Which step of the controlling process brings out the deviation between actual performance and the desired results? **1**

**(A)** Setting performance standards

**(B)** Analysing deviations

**(C)** Taking corrective action

**(D) Comparing actual performance with the standards**

**ANSWER**

(D) Comparing actual performance with the standards

Controlling steps: set standards → measure actual performance → compare actual performance with standards → analyse deviations → take corrective action.
The comparison step is the one that reveals the deviation; 'analysing deviations' comes after and finds their causes and significance.

**18.** 'Some provisions of the Companies Act restrict how much can be paid out as dividend, and these must be followed while declaring dividend.' Which factor affecting the dividend decision is this? **1**

**(A)** Access to capital market
**(B)** Contractual constraints
**(C) Legal constraints**
**(D)** Stock market reaction

**ANSWER**
(C) Legal constraints

Legal constraints: the Companies Act lays down rules on dividend payout which the company must obey.
Contractual constraints arise from loan agreements with lenders, not from law. Access to capital market and stock market reaction are other factors.

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**19.** Statement I: Control should focus on key result areas that are critical to the organisation's success. **1**
Statement II: Only significant deviations that go beyond the permissible limit should be reported to management.
Choose the correct option.

**(A) Both the statements are true.**
**(B)** Both the statements are false.
**(C)** Statement I is true and Statement II is false.
**(D)** Statement I is false and Statement II is true.

**ANSWER**
(A) Both the statements are true

Statement I is 'Critical Point Control' - focus on key result areas (KRAs) because a deviation there affects the whole organisation.
Statement II is 'Management by Exception' - only significant deviations beyond the permissible limit are brought to management's notice.
Both are correct principles of controlling.

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**20.** Which of these is NOT an organisational barrier to communication? **1**

**(A)** Status
**(B)** Organisational facilities
**(C) Lack of proper incentives**
**(D)** Rules and regulations

**ANSWER**
(C) Lack of proper incentives (it is a personal barrier)

Organisational barriers: organisational policy, rules and regulations, status, complexity in organisation structure, organisational facilities.
Personal barriers: fear of challenge to authority, lack of confidence of superior in subordinates, unwillingness to communicate, lack of proper incentives.
So 'lack of proper incentives' is a personal barrier.

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**21.** 'Riya Mart' makes disposable crockery but was earning poor profits for five years. CEO Verma got an internal audit done, which found inventory pilferage, late-coming and below-standard performance. He introduced surprise stock checks and an automated inventory system, a biometric attendance system, and told employees in advance what was expected of them and their performance standards. Pilferage fell, punctuality and performance improved. **3**

(i) Identify and state the function of management performed by Verma.

(ii) State any two points of importance of this function not discussed in the case.

**ANSWER**

(i) Controlling. (ii) e.g. helps accomplish organisational goals; facilitates coordination in action (also: judges accuracy of standards, efficient use of resources).

(i) Controlling - measuring actual performance against standards and correcting deviations so that objectives are achieved as planned. (Stock checks, biometric attendance, telling standards in advance = controlling.)

(ii) Importance not discussed (any two):

- Accomplishes organisational goals: it measures progress towards goals and brings deviations to light for correction.
- Facilitates coordination in action: every department and employee works to predetermined standards.
- Judges accuracy of standards: standards are reviewed and revised in the light of changes.
- Makes efficient use of resources: each activity is performed as per standards, reducing waste.

(Already in the case and not to be used: ensuring order and discipline, improving employee motivation.)

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**22.** 'Soal Footwear Ltd.', known for athletic shoes and sneakers, faces stiff competition and changing tastes, so it decides to diversify into clothing, bags and accessories under the same brand to grow market share and customer loyalty. **3**

(i) Suggest, with reason, the suitable organisational structure.

(ii) State any two advantages of that structure.

**ANSWER**

(i) Divisional structure - the company is diversifying into many product lines. (ii) e.g. product specialisation develops managers; clear accountability for profits.

(i) Divisional structure. Reason: it suits a firm that makes a large variety of products / is diversifying its product range; each product line (footwear, clothing, bags, accessories) can become a division.

(ii) Advantages (any two):

- Product specialisation develops varied skills in divisional heads and prepares them for higher posts.
- Divisional heads can be held accountable for profits, as revenues and costs of each division are identifiable.
- Promotes flexibility and initiative; each division is autonomous, so decisions are faster.
- Facilitates expansion: a new division can be added without disturbing existing ones.

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**23.** State any three measures to improve communication effectiveness. **3**

**ANSWER**

e.g. clarify ideas before communicating; communicate according to the receiver's needs; consult others before communicating (also: watch language/tone, ensure feedback, follow up, be a good listener).

Any three:

1. Clarify the ideas before communicating - study and analyse the problem so the message is clear.
2. Communicate according to the needs of the receiver - match the education and understanding level of subordinates.
3. Consult others before communicating - involving subordinates gains acceptance and cooperation.
4. Be aware of language, tone and content - so the message is understood and does not hurt feelings.
5. Convey things of help and value to listeners.
6. Ensure proper feedback by asking questions.
7. Communicate for present as well as future needs.
8. Follow up communications to remove hurdles in implementation.
9. Be a good listener.

**OR**

State any three features of leadership.

**ANSWER**

Ability to influence others; brings change in behaviour of others; interpersonal relation between leader and followers (also: aimed at common goals, continuous process).

Any three:

1. Leadership is the ability of an individual to influence others.
2. It tries to bring change in the behaviour of others.
3. It shows interpersonal relations between the leader and followers.
4. It is exercised to achieve the common goals of the organisation.
5. It is a continuous process.

**24.** State any three functions of middle level management. **3**

**ANSWER**

Interpret top-management policies; ensure the department has necessary personnel; assign duties, motivate staff, cooperate with other departments (any three).

Any three:

1. Interpret the policies framed by top management.
2. Ensure that their department has the necessary personnel.
3. Assign necessary duties and responsibilities to personnel of the department.
4. Motivate people in the department to achieve desired objectives.
5. Cooperate with other departments for smooth functioning.
6. Implement and control plans and strategies of top management.
7. Be responsible for the activities of first-line managers.

**OR**

State any three features of 'Demonetisation'.

**ANSWER**

A tax-administration measure; signals that tax evasion will not be tolerated; channels savings into the formal financial system; creates a less-cash economy (any three).

Any three:

1. It is a tax-administration measure - unaccounted wealth had to be declared and taxed at a penalty rate.
2. It signals a shift in government attitude that tax evasion will no longer be tolerated.
3. It channels savings into the formal financial system.
4. It creates a less-cash (cash-lite) economy, improving tax compliance.

**25.** 'Sheetal Cosmetics Ltd.' is growing fast with many new launches, ad campaigns, social-media promotions and influencer tie-ups. Marketing manager Arjun works long hours but minor operational issues leave him no time for strategic planning. The CEO advises him that he cannot handle everything alone and should let subordinates take up routine tasks - saving his time, satisfying subordinates' need for recognition and letting them develop initiative. **4**

(i) Identify the concept suggested by the CEO.

(ii) State any three points of importance of this concept.

**ANSWER**

(i) Delegation of authority. (ii) e.g. effective management, employee development, motivation of employees (also: facilitates growth, basis of hierarchy, better coordination).

(i) Delegation - the downward transfer of authority from a superior to a subordinate for routine work.

(ii) Importance (any three):

1. Effective management - managers are freed from routine work and can focus on important matters.
2. Employee development - subordinates use their talent and grow for higher positions.
3. Motivation of employees - being trusted with work builds commitment and confidence.
4. Facilitates growth - a trained workforce is ready to lead new units.
5. Basis of management hierarchy - establishes superior-subordinate relationships.
6. Better coordination - clear authority and reporting relationships help coordination.

**26.** State any four merits of internal sources of recruitment. **4**

**ANSWER**

Motivates employees; simplifies selection and placement; transfer acts as training; shifts surplus staff to deficit departments; economical (any four).

Any four:

1. Employees are motivated to improve performance - one promotion can create a chain of promotions.
2. Simplifies selection and placement - existing employees can be judged accurately and cheaply; a reliable source.
3. Transfer is a tool of training - prepares employees for higher jobs; no induction training needed.
4. Transfer shifts workforce from surplus departments to those with shortage.
5. Economical - filling jobs internally costs less than external recruitment.

**OR**

State any four benefits of training to employees.

**ANSWER**

Better skills and career; higher performance and earnings; fewer accidents; higher satisfaction and morale.

Benefits of training to employees:

1. Improved skills and knowledge lead to a better career.
2. Better performance helps the employee earn more.
3. The employee handles machines more efficiently and is less prone to accidents.
4. Training raises satisfaction and morale.

(Note: benefits to the organisation, like less wastage, are a different list - don't mix them.)

**27.** Explain the following points of importance of planning: **4**

(i) Planning establishes standards for controlling

(ii) Planning reduces overlapping and wasteful activities

**ANSWER**

(i) Plans give the goals/standards against which actual performance is compared. (ii) Plans coordinate activities and remove useless, duplicate work.

(i) Establishes standards for controlling:

- Planning sets goals/standards; controlling compares actual performance with them and corrects deviations.
- Planning is a prerequisite of controlling - without standards, deviations cannot be found.

(ii) Reduces overlapping and wasteful activities:

- Plans are the basis for coordinating activities of divisions, departments and individuals.
- Since everyone knows in advance what to do, confusion, misunderstanding and redundant activities are avoided.

**OR**

Explain the following types of plans:

(i) Objective

(ii) Method

**ANSWER**

(i) Objective = the desired end result the organisation wants to reach, stated specifically. (ii) Method = the prescribed way of performing one step/task of a procedure.

(i) Objectives:

- The end results or desired future position management wants to achieve, stated in specific (preferably measurable) terms and in writing.
- Usually set by top management on broad issues; departments may have their own objectives.

(ii) Method:

- The prescribed way or manner in which a task is to be performed, keeping the objective in view.
- It deals with one step of a procedure and states how that step is done; it may vary from task to task.

**28.** Rajiv is a director of 'Tako Solutions' (software) and 'Sabka Mart Retail' (supermarket chain) and wants to apply management principles in both. He knows the principles apply to both companies, though to a different extent because their work, scale and activities differ. He also knows the principles give no ready-made solutions because real situations are complex and dynamic, yet even small guidelines help solve many problems. Identify and explain the two features of the nature of principles of management in the case. **4**

**ANSWER**

Universal applicability, and General guidelines.

1. Universal applicability: management principles apply to all kinds of organisations - business and non-business, small and large, public and private, manufacturing and services - but the extent of application varies with the nature of the organisation, activity and scale. (Clue: applies to both Tako and Sabka Mart, to different extents.)
2. General guidelines: principles guide action but are not ready-made, straitjacket solutions, because real business situations are complex and dynamic; still, even a small guideline helps solve a problem. (Clue: 'would not provide readymade solutions'.)

**29.** 'GW Industries' (paper products) launched a sustainable packaging line 'EcoPac'. Its CEO turned the work into clear goals and assigned means to achieve them, treated human resources as the greatest asset and got work done through them, and set up a proper production process to convert input materials with technology into quality packaging. Identify and explain the characteristic of management shown. **4**

**ANSWER**

Management is multidimensional - management of work, of people and of operations.

Management is multidimensional; it has three dimensions:
(a) Management of work - every organisation exists to perform some work; management translates it into goals and assigns the means to achieve them.
(b) Management of people - dealing with employees as individuals with different needs and also as groups; human resources are the greatest asset.
(c) Management of operations - a production process that manages the flow of input materials and the technology to transform them into the desired output.

**30.** Start-up 'Eco Care' plans a reusable water bottle for eco-conscious millennials and Gen Z. It did market research to find customer needs, designed an attractive double-wall insulated stainless-steel bottle that keeps drinks cold for 24 hours (a competitive edge), named it 'Eco-Sip' to build a sustainability-focused identity and differentiate it, and packed it in 100% recyclable cardboard printed with features, price and other details. State the four functions of marketing carried out. **4**

**ANSWER**

Gathering and analysing market information; product designing and development; branding; packaging and labelling.

1. Gathering and analysing market information - market research to identify customer needs, opportunities and threats.
2. Product designing and development - design made the bottle attractive to target customers, improved performance and gave a competitive advantage.
3. Branding - giving the name 'Eco-Sip'; a brand name differentiates the product and builds loyalty.
4. Packaging and labelling - designing the recyclable package and the label with product information.

**31.** 'Koka Manufacturing Ltd.' is a large electronics manufacturer. In its industry assets become obsolete quickly as technology changes, so it must keep upgrading machinery to stay competitive, improve quality and cut costs. Instead of buying machines it leases them, so it can upgrade at the end of each lease. Identify and explain four factors affecting its fixed capital requirements. **6**

**ANSWER**

Nature of business (manufacturing), Scale of operations (large), Technology upgradation, Financing alternatives (leasing).

1. Nature of business - 'large scale manufacturer': a manufacturing concern needs plant and machinery, so it needs more fixed capital than a trading concern.
2. Scale of operations - a large organisation needs bigger plant and more space, hence higher investment in fixed assets.
3. Technology upgradation - where assets become obsolete sooner, they must be replaced faster, so higher fixed capital is needed.
4. Financing alternatives - leasing: the firm pays lease rent and uses the asset; availability of leasing reduces the funds to be invested in fixed assets.

**32.** Explain the following steps in the staffing process: **6**

(i) Estimating manpower requirements

(ii) Selection

(iii) Placement and orientation

**ANSWER**

(i) Finding how many and what type of people are needed (workload + workforce analysis). (ii) Choosing the best candidates from the recruited pool. (iii) Putting the person on the job and introducing him to the organisation.

(i) Estimating manpower requirements:

- Knowing how many persons are needed and of what type.
- Done through workload analysis (number and type of people needed for the work) and workforce analysis (number and type available), showing whether the firm is under-, over- or optimally staffed.

(ii) Selection:

- Choosing from the pool of prospective candidates created by recruitment.
- Ensures the organisation gets the best available people and raises the self-esteem and prestige of those selected.

(iii) Placement and orientation:

- Placement: the employee occupies the post for which he has been selected.
- Orientation: introducing the new employee to colleagues and familiarising him with the rules and policies of the organisation.

**OR**

Explain the following non-financial incentives:

(i) Status

(ii) Organisational climate

(iii) Job security

**ANSWER**

(i) Ranking of positions - satisfies esteem needs. (ii) Characteristics that describe and distinguish an organisation. (iii) Stability of future income and work.

(i) Status:

- Status is the ranking of positions; authority, responsibility, rewards, recognition and perquisites of a job show it.
- It satisfies psychological, social and esteem needs.

(ii) Organisational climate:

- The characteristics that describe an organisation and distinguish it from others.
- Individual autonomy, reward orientation, consideration for employees and risk-taking help build a positive climate, which motivates employees.

(iii) Job security:

- Employees want stability of future income and work so that they work without worry and with greater zeal.
- It matters most where job opportunities are few and aspirants are many.

**33.** Ria, who runs an online bakery, wondered whether to keep her savings in a bank or invest in shares. Her friend Aabha (NSE-certified) told her: she can sell and reinvest whenever she wants, giving good liquidity; stock-exchange membership is well regulated and all trading is within a legal framework, so investors get a fair and safe deal; speculation exists but only in a restricted, controlled way; and the exchange promotes wider share ownership by educating the public, which is why young people have started investing. Ria then invested part of her savings. Quoting the relevant lines, identify and explain four functions of a stock exchange shown. **6**

**ANSWER**

Providing liquidity and marketability; Safety of transactions; Providing scope for speculation; Spreading of equity cult.

1. 'could disinvest and reinvest whenever she wanted ... good liquidity' - Providing liquidity and marketability to existing securities: a continuous market where securities can be bought and sold any time.
2. 'membership ... is well regulated and all trading takes place within the legal framework ... fair and safe deal' - Safety of transactions: regulated membership and defined dealings protect investors.
3. 'speculation does exist, but it happens in a restricted and controlled way' - Providing scope for speculation: allowed within the law in a controlled manner, which is needed for liquidity and price continuity.
4. 'keen to promote wider share ownership ... educating public about investments' - Spreading of equity cult: regulating new issues, better trading practices and investor education spread share ownership.

**34.** Explain the following elements of the marketing mix: **6**

(i) Product

(ii) Price

(iii) Promotion

**ANSWER**

(i) Anything of value offered for sale, incl. after-sales service. (ii) Money paid by customers; affects demand. (iii) Activities that inform and persuade target customers.

(i) Product:

- Goods, services or anything of value offered to the market, including the extended product (after-sales service, complaint handling, spare parts).
- Decisions cover features, quality, packaging, labelling and branding.

(ii) Price:

- The amount customers pay to obtain the product; the price level affects demand.
- Involves setting pricing objectives, studying factors affecting price, and deciding basic price, discounts and credit terms.

(iii) Promotion:

- Activities that communicate information about the product (availability, features, merits) to target customers and persuade them to buy.
- Tools: advertising, personal selling, public relations and sales promotion.

**OR**

Explain the following components of physical distribution:

(i) Order processing

(ii) Warehousing

(iii) Inventory control

**ANSWER**

(i) Accurate, speedy processing of customer orders. (ii) Storing and assorting goods to create time utility. (iii) Deciding the right level of stock - balancing service and carrying cost.

(i) Order processing:

- Goods flow from producer to customer while orders flow back from customer to producer.
- Orders must be processed accurately and quickly; otherwise goods arrive late or wrong, causing dissatisfaction.

(ii) Warehousing:

- Storing and assorting products to create time utility; providing facilities to store goods.
- Needed because there is a time gap between production and consumption.

(iii) Inventory control:

- Deciding the level of inventory: higher stock gives better customer service but raises carrying cost (capital locked up), so a balance is needed.
- Depends on correct demand forecasting, which keeps inventory and cost to a minimum.

**— END —**

Questions restated from the CBSE Class XII Board Examination 2026 (set 66/1/1) for practice. Reading passages and map items are described, not reproduced.